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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) of 10 June 1999, by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo, Serbia and Montenegro, since 1 July 2003.

2. As the members of the Security Council are aware, I have appointed Harri Holkeri (Finland) as my new Special Representative and Head of UNMIK. Following his arrival in Pristina on 13 August to take up his assignment, he reaffirmed the Mission's key priorities: improving the rule of law and the security situation, in particular for minority communities; furthering returns and minority rights; and strengthening economic development. These priorities are set in the context of the overall mandate of UNMIK to promote substantial autonomy and self-government in Kosovo, in accordance with resolution 1244 (1999). Initially, my Special Representative had to focus on the security situation as the recent period has been marred by a number of violent attacks directed against members of the Kosovo Serb community and UNMIK law enforcement personnel. In addition, he has been particularly active in the preparations leading up to the launch of direct dialogue on practical matters between Pristina and Belgrade. This dialogue is one of the benchmarks required to fulfil the necessary standards before Kosovo's status can be addressed.

II. Functioning democratic institutions

3. The transfer by UNMIK of non-reserved responsibilities listed in chapter 5 of the Constitutional Framework to the Provisional Institutions of Self-Government continued. Following a decision in May by the Transfer Council — set up by UNMIK and the Provisional Institutions to oversee, monitor and coordinate the transfer process — 19 of those responsibilities have now been transferred, and 17 more have been identified for transfer, in a gradual and controlled manner and in cooperation with the Provincial Institutions. It is anticipated that the remaining eight non-reserved competencies will be completely transferred by the end of 2003.

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4. In addition to the transfer of the non-reserved responsibilities, the Provisional Institutions have called for the transfer of the responsibilities which are reserved to my Special Representative in accordance with chapter 8 of the Constitutional Framework. The Prime Minister of Kosovo has also presented my Special Representative with a number of proposals for closer cooperation between UNMIK and the Provisional Institutions, and for involvement of the Provisional Institutions in reserved areas. Those proposals, which are in line with resolution 1244 (1999) and the Constitutional Framework, have been accepted or are being given positive consideration. Mechanisms are being developed to gradually increase the responsibilities of the Provisional Institutions, while adhering to the Constitutional Framework. As part of increasing efforts to enhance cooperation between UNMIK and the Provisional Institutions, and in order to further operationalize the benchmarks, a benchmarks implementation plan is being developed to set clear timelines and success criteria for the achievement of the benchmarks in line with the "standards before status" formula, while assigning clear responsibility for institutions to take the lead in particular areas. With this objective in mind, UNMIK has produced a mission performance management plan to guide coordinated Mission action.

5. During the reporting period, the Government of Kosovo developed and introduced a quarterly planning and reporting cycle through which ministers will identify their policy aims for the final quarter of 2003 and report on progress made in those areas. Inter-ministerial coordination and governmental planning have also profited from the establishment of three new working groups during the reporting period, which focus on the issues of trafficking, the annual legislative work programme of the Government for the period from October 2003 to October 2004, and land management. The Government approved five draft laws, which were forwarded to the Kosovo Assembly, and agreed on a general policy direction for nine others.

6. Public sector wage levels in Kosovo continue to be of concern. The Government, as from 1 July, decided to establish a "recruitment freeze" for the remainder of the year, in order to fund a 20 per cent increase in salaries for civil servants in the health and education sectors. A committee chaired by the Office of the Prime Minister has been established to review the implementation of the freeze, including taking decisions on exemptions, which the Office has publicly stated will apply to recruitment of minorities and civil servants for reserved areas. Despite this welcome reassessment of needs and resources in the civil service, UNMIK has received several reports that recruitment procedures, as established by the Kosovo Civil Service Law and subsequent instructions, are not being followed. The service is experiencing increasing politicization which should, in part, be countered by the Independent Oversight Board to be established in November.

7. Owing to the summer recess, the Assembly of Kosovo held only six plenary meetings in the period from 1 July to 1 October. All political groups participated in all Assembly meetings or parts of the proceedings, even though several sensitive issues such as privatization, returns, and the security situation were discussed. While the Kosovo Serb caucus, Coalition Return, remains engaged in legislative work, it is also making increasing use of a special procedure, foreseen in the Constitutional Framework, which provides special guarantees for community rights. Late in August, this procedure was invoked in relation to the draft law on population and housing census and the draft law on access to official documents. On 12 September,

the procedure was also invoked in relation to the draft law on public procurement in Kosovo. On 4 September, for the first time, the Assembly rejected legislation proposed by the Government. The Assembly now routinely sets its agenda a week in advance and has improved its ability to accommodate requests for extraordinary business without incurring unwarranted delays in its regular legislative programme. Improvements can also be noted in the working relationship between the Assembly and the Government, and Ministers regularly introduce draft laws to the Assembly in person. A majority of Assembly committees now maintain regular contact with ministries, including written exchanges on draft laws and the presence of ministry representatives at committee meetings. Several committees are also reaching out to the public, conducting public hearings and field visits. UNMIK and the Assembly have set up a joint working group in a common effort to remove obstacles to the recognition by UNMIK of the Assembly's revised rules of procedure. In a declaration issued on 10 July, the Assembly stated its positive acknowledgement of the right to return of internally displaced persons from all communities.

8. Some steps have been taken in the field of local governance to improve the effectiveness and responsiveness of municipal administrations to the needs of the local population. Political gridlocks that had affected, and in some instances completely stalled, the operations of some municipal assemblies have been resolved. In most municipalities, however, the civil service shows a general lack of professionalism in implementing transparent, non-politicized and ethnically balanced procedures in areas such as recruitment and procurement. Furthermore, municipal regulations, once adopted, are often not implemented. A slight improvement in the organization of municipal files and the availability of documents to citizens has been noted, although complicated application procedures for obtaining certain documents prevail in many municipalities. Despite a visible improvement in language policies, in some cases documents are still available only in one language.

9. That the mandatory communities committees have now been established in all 24 mixed municipalities is an encouraging sign. In three municipalities they are not fully functioning, however, because of disputes over their composition. Most recent data on fair share financing from municipal budgets reflect a slight positive trend. Six municipalities have achieved the minimum level of fair share financing in all three budget lines (municipal administration, health and education) as assessed by UNMIK. Four municipalities have done so in two of the three budget lines and 12 in one budget line. Five municipalities have not achieved the minimum required allocation in even one budget line. UNMIK and the Ministry of Finance and Economy have called on representatives of those five municipalities to submit expenditure plans which will ensure the minimum required percentage allocation for the entire fiscal year 2003. UNMIK and the Ministry of Finance and Economy will consider taking executive action, including the possible imposition of fiscal sanctions, should these expenditure plans still be unsatisfactory.

10. An interim report of the Council of Europe decentralization mission, which is drawing up a reform package for local government in Kosovo, was published in the summer. The interim report called for a second tier of local government, providing local services at a sub-municipal level. The final report is scheduled for publication in mid-November.

11. In Mitrovica, UNMIK has continued to focus on promoting inter-ethnic activities and dialogue. While Kosovo Serb members of the northern Mitrovica advisory board have not yet started participating officially in meetings, the advisory board itself has been a useful channel for UNMIK to obtain feedback on its policies and initiatives.

12. Belgrade-sponsored parallel administrative structures continued to operate in many parts of Kosovo, and are common in most mixed and ethnically Serb municipalities. Kosovo Serbs continue to be employed in parallel structures through the satellite offices of Serbian utility and communications providers, the Serbian health, education and judicial systems, civil registration offices, and other official bodies. Parallel administrative structures at the municipal level have also recently emerged. In addition, Kosovo Serbs employed by the Provisional Institutions often receive a second salary from Belgrade.

13. Minority employment in the civil service at the central and municipal levels remains unsatisfactory. Kosovo minority community members still constitute less than 10 per cent of the civil servants employed within the structures of the Provisional Institutions at the central level, close to their proportion of the population but far short of the 18 per cent representation target. The greatest disparity persists in senior level positions, less than 2 per cent of minority civil servants holding such positions. Kosovo Serbs constitute on average 12 per cent and non-Serb minorities 3.3 per cent of all municipal employees. The Ministry of Public Services has not, as yet, issued an administrative instruction outlining affirmative action provisions. Despite an outreach programme initiated by the Office of the Prime Minister and the subsequent dramatic increase in the number of applications, no significant increase in the number of minority staff has been observed, mainly because most applicants withdrew their applications and, of those selected, none accepted the post. Feedback from applicants indicates that the main reason for their withdrawal/non-acceptance is allegedly the higher remuneration and long-term job security offered by parallel structures operating in Kosovo.

14. The representation of women at the professional level in the public sector has improved during the past 12 months. In each of the 30 municipalities, a position of Municipal Gender Officer has been established as a senior civil servant, funded under the Kosovo consolidated budget. The position has also been introduced at the executive level in six ministries. In order to strengthen efforts for the achievement of the gender equality goals, an Inter-Ministerial Working Group on Gender Equality has been established under the coordination of the Office of the Prime Minister, and a Gender Equality Commission has been operating in the Assembly. A draft law on gender equality has also been introduced in the Assembly. However, despite such provisions, Kosovo still has a poor record of hiring women at senior level and managerial positions.

15. The office of the Temporary Media Commissioner considered 14 complaints against the media during the period from June to August, of which two were ex officio. The complaints were lodged against one broadcaster and three newspapers. Three of the complaints were dismissed and in four cases the newspapers involved published clarification. One newspaper alone received seven complaints, was issued warnings, and was sanctioned for violating the Print Code of Conduct; two of the cases against it are still pending.

III. Rule of law

16. The period since July has been characterized by a number of violent attacks, including shootings, in which the victims were members of the Kosovo Serb community, as well as UNMIK law enforcement authorities. On 13 August, two Kosovo Serb youths were killed and four injured in a shooting incident at the village of Gorazdevac near Pec. On 18 August, a Kosovo Serb male, who had been shot in the head while fishing on 11 August, died of his wounds, and another Kosovo Serb was seriously injured in a shooting on 26 August near the returns site of Bica near Klina (Pec region). On 31 August, four Kosovo Serbs were injured and one killed in an attack in the village of Cernica (Gnjilane region). No perpetrators have been identified in any of these cases. UNMIK police and KFOR have increased security in these areas following the incidents and are continuing to investigate the crimes. While it cannot be assumed that all these crimes were inter-ethnic in nature, they nevertheless had a significant effect on feelings of insecurity among Kosovo Serbs and led other minorities to keep a low profile. Although protests against the incidents in Kosovo Serb communities have largely been peaceful, there have been instances of intimidation and harassment in Kosovo Albanian, Kosovo Serb and other communities.

17. The reporting period also saw an increase in violent incidents directed against UNMIK law enforcement personnel and property. On 3 August, an UNMIK international police officer was murdered in an attack in the northern part of Kosovo. On 6 September, an off-duty officer of the Kosovo Police Service (KPS) was murdered near Djakovica (Pec region). On 10 September, another KPS officer was shot at in Pristina. The officer was unhurt but a person accompanying him was killed. An UNMIK police station, UNMIK vehicles and the Pristina district court were damaged in explosions and other attacks. No one has claimed responsibility for any of these attacks. The majority of local politicians and representatives of the Provisional Institutions have made statements condemning the incidents. Some of those attacks came after the conviction, on 16 July, of four former members of the Kosovo Liberation Army (KLA) for war crimes committed during 1998 and 1999. This represented the first conviction of former KLA members for war crimes. Initial protests following the convictions subsided quickly.

18. UNMIK police took measures to enhance security in minority areas and other sensitive locations. In three critical areas — the northern part of Mitrovica, Pec town and Pristina town — mobile reserve units conducted random vehicle checkpoints, and vehicle and foot patrols targeted high crime areas with the specific aims of interdicting movement of persons with weapons and checking for criminals. Special investigation teams have been set up to investigate major crimes such as the killing of three Kosovo Serbs in Obilic (Pristina region) on 4 June, and the murders in Gorazdevac and Cernica, as well as the murder of the international police officer near Mitrovica. As KFOR discontinues escorts and fixed checkpoints in minority areas, the more limited police resources of UNMIK are being used innovatively by reducing predictability while maintaining a security presence in minority areas and enhancing the effectiveness of policing through greater community-based initiatives.

19. Progress continued in the prosecution of serious criminal acts, such as war crimes, terrorism and organized crime. The three war crimes trials that were reported as ongoing during the previous reporting period were completed: convictions ranged from 3 to 17 years of imprisonment. Following the enactment of

an Administrative Direction implementing UNMIK Regulation No. 2001/12 on the Prohibition of Terrorism and Related Offences, international judges and prosecutors have initiated eight criminal investigations involving alleged members of an ethnic Albanian extremist group declared by UNMIK to be a terrorist organization in April 2003. Tackling organized crime continued to be a priority; international judicial officials are involved in four significant cases related to narcotics and human trafficking.

20. The Kosovo Organized Crime Bureau continued to develop its operational and investigative capabilities. An organized crime unit comprising local Kosovo Police Service officers has been established to work in coordination with and under the supervision of the Crime Bureau. During the reporting period, besides reconnaissance, fact-finding and support operations, the Counter-Terrorism Task Force, which includes international and local police officers, has handled 16 cases and made 4 arrests. UNMIK continued to successfully address prostitution and human trafficking, as an important aspect of organized criminal activity. The Trafficking and Prostitution Investigation Unit uncovered 26 cases of trafficking during the reporting period and several establishments were closed down.

21. On 4 September, inmates of the Dubrava Prison, Kosovo's largest detention facility, occupied and barricaded a prison block in protest against living conditions, and refused to return to their cells, despite assurances from UNMIK officials that their complaints would be addressed and that no disciplinary action would be taken against them. Following an attempt by the prison guards to enter the occupied block after several hours of negotiations, a number of prisoners set fire to their mattresses. Five prisoners died, all from asphyxiation, and a further 16 were injured in the ensuing fire. A police investigation into the incident was launched immediately, and an independent Commission of Inquiry consisting of international and local members has been established to look into its causes and make recommendations to ensure that such a tragic event does not occur again.

22. With 14 international judges and 12 international prosecutors, the judicial system in Kosovo maintained the capacity to address serious crimes and sensitive inter-ethnic judicial matters. The ability of local judiciary to take on sensitive cases has improved. Of the 13 trials involving international judges or prosecutors completed during the quarter, only four were conducted pursuant to UNMIK Regulation No. 2000/64, which states that particular cases can be tried by international majority panels of judges, while the rest were handled by panels with a majority of local judges under UNMIK Regulation No. 2000/6. In two of the trials, an international public prosecutor brought the case before an all-local panel.

23. The UNMIK Department of Judicial Administration continued to strive towards establishing a multi-ethnic judiciary and an efficient court infrastructure. For the year 2003, 1,956 positions, including 423 posts for judges and prosecutors and 1,533 positions for court support staff, have been budgeted for 73 judicial institutions. With the appointment of 47 additional judges this year, the number of local judges stands at 312 including 82 women. Of the total, 281 are Kosovo Albanian, 14 Kosovo Serb and 17 are from other minority groups. Of the 44 local prosecutors, 7 are women, while 39 are Kosovo Albanian, one is a Kosovo Serb and 4 are from other minority groups. Major repairs and refurbishment of court buildings have been undertaken in a number of municipalities. Procurement action is under

way for the construction of a new courthouse in Podujevo (Pristina region) and refurbishment in Djakovica (Pec region) and Mitrovica.

24. Further progress has been made in developing the Kosovo Police Service. Two additional police stations were placed under KPS command, bringing the total number of stations under KPS command to six. Additional officers were hired, bringing the total number of KPS uniformed personnel, as at 1 October, to 5,769 officers, 201 of whom are currently in basic training. Of the total, 17.6 per cent are women and 15.6 per cent are minorities.

25. During the reporting period, 64 more persons, mostly from minority groups, were recruited into the Kosovo Correctional Service, which now has a staff of 1,416. Of these, 84.9 per cent are Kosovo Albanian, down from 86.2 per cent during the last reporting period; Kosovo Serb representation has increased marginally, from 11 per cent to 11.2 per cent, while the proportion of non-Serbian minority groups has substantially increased, from 2.8 per cent to 3.8 per cent. Some 18 per cent of the staff are female. On 7 August, the first 10 national Deputy Directors of the Kosovo Correctional Service graduated after more than six months of intensive training. On 1 September, a new Detention Centre with a cell capacity of 240 inmates became operational in Lipljan (Pristina region). However, with the loss of cell capacity in the Dubrava prison due to the fire, the total prison capacity in Kosovo stands at 1,358. Additional space will be available in 2004 when a new open prison and an additional house block at Dubrava are completed, and after the planned refurbishment of the damaged blocks at Dubrava. The prison population as at 16 September stood at 1,248, compared with 1,203 at the end of June 2003.

26. UNMIK police cooperation with their Serbian counterparts and with police authorities in Albania and in the former Yugoslav Republic of Macedonia continued. On 8 July, the scheduled opening of a temporary border crossing point with the former Yugoslav Republic of Macedonia between the villages of Debelde and Tanusevci was postponed, owing to local opposition on both sides of the border. The opening of the crossing will be reconsidered next year. On 15 August a temporary border crossing point was opened between Restelica in Kosovo and Strezimir in the former Yugoslav Republic of Macedonia for the sole use of local residents. However, UNMIK plans to close the Restelica crossing point on 1 October, because of the low number of crossings and the lack of electric power at the crossing location, and reopen it on 1 April 2004. The opening of the two border crossing points for local residents had been agreed in a protocol signed by UNMIK and the Government of the former Yugoslav Republic of Macedonia in May 2003.

IV. Freedom of movement

27. Freedom of movement still remains an issue of great concern to minority residents, particularly after the attacks involving primarily Kosovo Serb victims that occurred during the reporting period. A number of dedicated transportation services for minority community residents remained in place. The civil service bus line, the UNMIK "freedom of movement" train and the humanitarian bus service networks all continued to operate. Discussions are under way between UNMIK and the Ministries of Public Services and Transport and Communications with a view to funding the civil service bus line — which transports Kosovo Serb and other civil servants to their workplace in Pristina — from the Kosovo consolidated budget. The

bus line is currently funded from the Special Representative's contingency fund. An estimated 15 per cent of minorities continue to require special transport arrangements to reach their workplace. The UNMIK "freedom of movement" train currently transports a monthly average of 50,000 passengers. Plans are under way to provide connections to Belgrade and Skopje by the end of 2003. Normal service was resumed on 1 August on the segment of railway line where operations were severely disrupted by the explosion under the railway bridge near Zvecan (Mitrovica region) on 12 April.

28. The increased feeling of insecurity following the violent incidents has taken a toll on the confidence of the minorities. Many are demanding the reinstatement of security escorts in places where, because of improvements in security, they had been previously discontinued. KFOR and UNMIK police have also received increased demands for school escorts. In some locations, parents have refused to send their children to school without escorts. The heightened tension and the related demands by Kosovo Serbs for greater and more efficient security measures have prompted both KFOR and UNMIK to reassess and enhance security in several locations. The escorts of the buses of the humanitarian bus service, which had been lowered to 15 per cent, have been again increased to 26 per cent.

29. Freedom of movement for minorities was further hindered by the decision of the Serbian government authorities not to sign an agreement allowing the use of Kosovo licence plates in Serbia proper and their public calls for Kosovo Serbs not to register their cars with UNMIK. As at 5 September, only 82 vehicles had been registered in the northern part of Mitrovica since the process began on 29 April. The UNMIK vehicle registration campaign in other minority areas has also recorded unsatisfactory results. Only 1,139 more minority-owned vehicles were registered from the middle of May to the middle of September, bringing the total to 5,314. While the issuance of free vehicle licence plates has been extended until 31 December 2003, and also applies to non-Serb minorities, no concrete progress in vehicle registration within the Kosovo Serb community can be expected if the Government of Serbia does not adopt a positive approach to the use of Kosovo licence plates and driving licences.

V. Sustainable returns and minority rights

30. Despite setbacks resulting from recent violent incidents involving Kosovo Serb victims, the overall rate of returns continued to accelerate during the reporting period. Over 2,200 displaced persons have returned so far this year to areas where they are a minority (including 1,016 Kosovo Serbs, 693 Roma/Ashkali/Egyptians, 242 Bosniaks, 74 Gorani and 239 Kosovo Albanians). This figure represents an increase in the number of Kosovo Serb returns by 68 per cent over the same period in 2002, but this is still a small fraction of the large number of Kosovo Serbs internally displaced in Serbia and Montenegro. The level of returns in the Roma/Ashkali/Egyptian communities has remained relatively stable. Funding expected from several major donors has now been provided in Kosovo and work on a number of returns projects has begun in earnest, including the return of Kosovo Serbs to Podgorce (Gnjilane region) and Zhupa Valley (Prizren region), and Roma/Ashkali/Egyptian returns to Magura (Pristina region) and Pristina town. Work has also begun on some 50 houses for individual (or "spontaneous") returnees, with funding from the UNMIK-UNDP Rapid Response Returns Facility. The heightened

level of insecurity within the Kosovo Serb and other minority communities has not resulted in the cancellation of any returns projects, but it has led to numerous postponements of returns activities, at a stage in the season where such delays may mean that returns are not possible until next spring. It is also likely to have a dampening effect on individual returns.

31. A key development affecting the returns process has been the marked increase in the engagement in, and support for, returns and minority integration among senior level representatives of the Provisional Institutions. The month of July began with a ground-breaking initiative by Kosovo Albanian leaders and leaders of the non-Serb minorities, who came together to sign an "open letter" encouraging displaced persons to return to Kosovo. Since the appeal was made, Kosovo authorities have taken several steps to follow up on that commitment. On 10 July, the President of Kosovo and the leader of the Democratic Party of Kosovo travelled to Urosevac (Gnjilane region) to encourage future returns to the town. On the same day, the Kosovo Assembly held a session dedicated to minority returns, and adopted a resolution supporting returns. On 14 July, 24 Kosovo Serbs returned to Belo Polje (Prizren region), citing the July appeal as an encouragement for their decision to return. Most recently, the Prime Minister of Kosovo, on his own initiative, travelled to a returns site in Bica (Pec region) following a shooting incident involving Kosovo Serbs from that village. The Government of Kosovo has also allocated €7 million for returns activities from the 2002 Kosovo consolidated budget surplus.

32. In addition to the open letter initiative, there are signs of increasing engagement by Kosovo society generally in support of a more secure environment for all the people in Kosovo. Following the killing of the two Kosovo Serb youths in Gorazdevac and other shooting incidents involving Kosovo Serb victims, the media and civil society have begun to speak more openly and strongly about the need for the people of Kosovo to help address the security situation and put an end to violence. Notably, for the first time these pleas have included some criticism of Kosovo's leaders for their limited reaction to the situation.

33. Municipal authorities have continued their engagement in the returns process. Municipal working groups have been formed in 29 of the 30 municipalities, with the exception of Glogovac (Pristina region), which before the conflict had virtually no minority population and where there is currently no demand for return. Municipal authorities are involved in all of them, with differing levels of cooperation. Significantly, municipal authorities are constructively engaged in most locations where returns projects are currently under way or envisaged in the near future, with the notable exception of Pec municipality. There has also been an increased engagement by the Kosovo Police Service in the returns process, including participation in most "go-and-see" visits, inter-ethnic dialogue initiatives, and the staffing of police offices in mixed communities. UNMIK has initiated a "lessons learned" process in order to evaluate the results of the current returns season and further develop the returns strategy for 2004. A central feature of the process is to enhance the local component in returns by vesting additional responsibility in local authorities where the political will exists or can be fostered.

34. The level of integration among communities and the joint use of public services remain limited. Kosovo Albanians and Kosovo Serbs continue to use separate health care and education facilities. Attempts at the integration of existing resources or new facilities have had only marginal success, as the facilities being

used by Kosovo Serbs take direction and funding from Belgrade. Only one new integrated school has been opened in Kosovo since the previous reporting period, bringing the total of multi-ethnic educational institutions to 43, nine of which house Kosovo Albanian and Kosovo Serb students. There are still no exclusively Kosovo Serb or Roma schools that offer Albanian language classes. No Kosovo Serb students attend the University of Pristina and an attempt by Serbian students to gain entrance into a specialized summer programme there was rebuffed. Serb access to institutions of higher learning has improved somewhat with the opening of a branch of the University of Mitrovica in Gracanica (Pristina region). Primary health care for minorities in Kosovo is generally available through minority-run health-care facilities in all minority areas. The main source for secondary health care for Kosovo Serbs is the Mitrovica (North) Hospital, but the Ministry of Health has also recognized three small hospitals in the Gracanica area and integrated them as secondary facilities into the official health-care system. This should help to improve the quality of care and services available in the area. Minority community access to public utilities continues to show improvement. Most municipalities report that minorities have the same access to water and electricity as does the majority population. There are however continuing problems with the assessment and delivery of bills and payment collection.

35. Throughout the reporting period, UNMIK continued to support the implementation of community-based projects with a wide array of initiatives throughout Kosovo, aimed at fostering inter-ethnic dialogue and cooperation between receiving communities and returnees. Approximately 20 projects in all four regions have enabled local non-governmental organizations and citizens' initiatives to develop cooperative efforts in projects such as dialogue within mixed youth groups and anti-discrimination education for women. Particular emphasis was placed on engaging the municipal level representatives to ensure their longer-term sustainability.

36. A draft anti-discrimination law was approved by the Government on 17 September and is awaiting submission to the Kosovo Assembly. The draft law, which complies substantially with European Union anti-discrimination regulations, will provide vulnerable groups in society with effective legal remedies and sanctions against any form of discrimination which they might encounter in the public or private sector.

37. The ability of minority communities to use their own language freely has somewhat improved during the reporting period. A majority of municipalities now have translation staff. However, some 40 per cent of the municipalities have no institutional arrangements for the translation of documents, and overall the provision of standardized language services to members of minority communities continues to be unsatisfactory. The reluctance to use minority languages in municipal administrations continues to be a matter of significant concern, with the noticeable exception of the municipality of Prizren, which is a model of multilingual administrative structures.

38. The media in Kosovo remain divided along ethnic lines. Over 37 per cent of the 89 licensed radio stations in Kosovo broadcast in minority languages and 3 per cent operate in more than one language. Six of the 23 television stations operate in minority languages, though none use mixed languages. Mitrovica region has the

highest percentage of minority broadcasting in both radio (71 per cent) and television (75 per cent) although it has none in mixed languages.

VI. Economy

39. The privatization process of socially owned enterprises has moved forward in the past quarter. The first six privatization tenders are currently in the last phase of the process. However, before taking a final decision the Kosovo Trust Agency is seeking legal clarification necessary for it to counter challenges that could arise. The second group of 18 socially owned enterprises was tendered on 2 July and the bid opening for this round showed increased investor interest, with 180 bids being received. The total amount in provisional winning bids was €24.7 million. A third group of 24 tenders was launched on 10 September.

40. Tax revenue collection in Kosovo has continued to exceed revenue targets. Profit tax, wage tax and domestic VAT collections are significantly higher than projections, and non-tax revenues (such as fees) have already reached the level of year-end projections contained in the 2003 budget plan. The municipalities have collected fewer revenues than planned and more effort needs to be made to enforce tax collections at the municipal level. Border and boundary taxes still account for the major share of revenues and constitute 79 per cent of total revenue collection in Kosovo so far this year. The trend, however, shows that internal taxes are generating an increasing share of total revenue collection, which supports expectations of reduced reliance on border and boundary taxes in the future.

41. During July, the Kosovo Ministry of Finance and Economy outlined proposals to reform and amend tax policy in Kosovo during 2004. Plans include reducing the VAT threshold from €50,000 to €30,000, transforming the current wage tax into a fully comprehensive personal income tax, and absorbing the presumptive tax into the profit tax. A new law on tax administration and procedures will be drafted in 2003. The Government and the Assembly have agreed on a draft Customs Code, but this still has to be adopted by the Assembly. Furthermore, the Government has approved draft laws on internal trade, and on tourism and hotelier activities.

42. There are currently 454 staff in the UNMIK Customs Service, of which non-Serb minorities represent 12 per cent and Kosovo Serbs 2 per cent. Total collection of revenue by UNMIK Customs is 18 per cent above the amount collected during the same period last year, and amounted to €271 million at the end of August 2003, compared to €229 million for the same period in 2002. The Tobacco Regulation providing for fiscal stamps on tobacco products came into force on 25 June. This measure is intended to exert government control over the cigarette trade and make cigarette smuggling unattractive for organized crime.

43. External financial and operational audits were finalized during the second quarter of 2003 for the Kosovo Electricity Company (KEK), the Post and Telecommunications Company (PTK), UNMIK Railways, Pristina Airport, and publicly owned utilities in the water and waste sectors. These audits are keystones for the restructuring of public utilities and in developing appropriate models of corporate governance. External audits and additional examinations by the Banking and Payments Authority of Kosovo are being carried out annually for all banks in Kosovo.

44. The main public utilities in Kosovo continue to suffer greatly from high numbers of illegal or unregistered customers, and low levels of minority employment; minorities represent a mere 1.24 per cent of the workforce in the Kosovo Electricity Company. During July and August 2003, only 45 per cent of all power delivered by the company was billed, of which only 61 per cent was collected. This resulted in approximately €2.8 million lost revenue due to non-payment of bills during the reporting period. Efforts currently under way to remedy the situation include the launch of the "KEK-Yes" public information campaign. For the same period, public utility providers in the water and waste sectors showed an improvement in billing rate, 100 per cent of known customers being billed, although only 62 per cent was collected. As for the telephone provider PTK, 100 per cent of all customers were billed during July and August, with a collection rate of 80 per cent. Only 4 per cent of the PTK workforce comes from minority communities.

45. The European Union's Stabilization and Association Process Tracking Mechanism, set up to monitor and provide recommendations on economic development and structural reforms in Kosovo and to ensure compatibility with European standards and best practices, met in July and discussed justice and home affairs, media, telecommunications and transport. In order to ensure the progressive implementation of the recommendations, the European Office in pillar IV has held sectoral meetings with relevant Kosovo institutions. The next meeting of the Mechanism in October is expected to cover selected sectors of economic legislation, trade and customs.

VII. Property rights

46. The establishment of a final deadline of 1 July 2003 for submission of property claims allowed the Housing and Property Directorate to make a final accounting of disputed property cases in Kosovo. The Directorate has now received 28,587 claims of which, by 1 September, it had resolved 31 per cent, at a rate of over 1,000 per month. The Directorate is on track to resolve 45 per cent of all claims by the end of 2003, the vast majority expected to be resolved by the end of 2004. In over 85 per cent of cases where property claims have been registered, the Directorate has now notified the purported illegal occupant. Some 150 evictions have been carried out since 15 June 2003, including in the northern part of Mitrovica, without incident. The Directorate has now revised its procedures for notification of successful claims and expects the number of evictions to increase over the next few months. A survey of abandoned property has resulted in the investigation of 2,037 abandoned or illegally occupied properties throughout Kosovo. The Directorate has placed 480 of the investigated properties under administration. This brings the total number of properties administered by the Directorate to 3,000, most of which have been reallocated on humanitarian grounds. The Directorate is now developing procedures for handing over those properties to the municipalities.

VIII. Dialogue with Belgrade

47. The start of direct talks on practical matters of mutual interest between Pristina and Belgrade has dominated the political agenda in Kosovo. My Special Representative has been actively engaged in preparations for the dialogue since his

arrival in August. Following extensive rounds of consultations with the Kosovo Albanians, Kosovo Serbs, and the political leaders of Serbia and Montenegro and the Republic of Serbia, the dialogue was launched on 14 October in Vienna, with the participation of the President of Kosovo and the Speaker of the Kosovo Assembly, and the Prime Minister and Deputy Prime Minister of the Republic of Serbia. Following the dialogue's initial plenary session, working groups of experts are to discuss four key areas on the agenda, namely, energy, the missing, returns, and transport and communications.

48. While the direct dialogue has been launched at the political level, direct, working level cooperation between Pristina and Belgrade continues in a number of areas through the mediation of UNMIK officials. Though unmediated contact has yet to be established between Pristina and Belgrade in most sectors, the Ministry of Labour and Social Welfare now holds regular monthly meetings with counterparts in Belgrade. In this particular sector, Serbian officials deal directly with the relevant officials of the Provisional Institutions with little involvement of UNMIK personnel. A result of this exemplary cooperation has been the transfer of more than 50 mentally disabled adults and children to their original homes. There have been occasional, informal contacts between officials of the Provisional Institutions and Serbian officials during international conferences or workshops, however these are ad hoc and are not generally followed up. Since the arrival of my new Special Representative, cooperation between UNMIK and Belgrade has been positive, the Serbian authorities reaffirming in public statements a commitment to cooperate with UNMIK. Cooperation has been fruitful in the areas of police, security and justice, including the return of 43 mortal remains to Kosovo during the reporting period.

IX. Kosovo Protection Corps

49. Concern at the presence within the Kosovo Protection Corps (KPC) of extremist or criminal elements prompted increased scrutiny of Corps members during the reporting period. Following an investigation conducted jointly by UNMIK and KFOR, 16 KPC members have now been recommended for disciplinary action by my Special Representative, who will make a final decision on the recommendations. As part of the effort to increase professionalism and reliability in the Corps, a new oath has been introduced to enhance the individual responsibility of KPC members. As a result, 68 members who decided that they would not be able to comply with the requirements of the oath voluntarily left KPC. The high-level Civil Protection Development Group co-chaired by my Special Representative and the Commander of KFOR has provided a broad basis for cooperation between the international community and KPC. Its working groups discuss training and community projects and comprise representatives from KPC, UNMIK and KFOR, and in some cases, from the International Organization for Migration. There is a better understanding among the KPC leaders that successful professional development of the organization requires focus of its members on civil development.

50. The strength of the Kosovo Protection Corps currently stands at 2,954 active members of a total of 3,052 authorized, and 1,735 reserve members of a total of 2,000 authorized. The rate of non-compliance with the KPC Disciplinary Code and Kosovo laws decreased during the reporting period. There were 32 cases of non-compliance, 22 leading to dismissal, 17 of them because of absenteeism, 2 pursuant to court decisions, 2 due to weapons violations and 1 in connection with criminal

activities. The other 10 cases were minor. Recruitment of minority representatives in KPC falls far short of goals but has shown some progress. Currently, KPC has 121 minority members, 18 of whom are Kosovo Serbs. Minorities thus account for 4.1 per cent of the total strength, or about 41 per cent of the posts set aside for the minorities.

51. Property and infrastructure downsizing of the Kosovo Protection Corps has gained momentum, nine sites being vacated during the reporting period. Twelve more sites are expected to be handed over to their rightful owners by KPC. UNMIK is further defining the legal basis for KPC activities as a civil emergency agency. A number of documents, such as the draft law on civil emergency preparedness, a draft administrative direction on the establishment of the Kosovo Protection Corps and the draft KPC terms of service, have been prepared and discussed by all the entities involved with the organization. KPC has further developed its demining capability, though a critical funding shortfall for demining operations persists.

X. Support matters

52. UNMIK will continue to implement its downsizing strategy in line with the approved budget for the fiscal year July 2003 to June 2004, which provides for a reduction of approximately 5 per cent over the previous budget and the abolishment of 139 international and 301 local staff posts. The present approved budget is $315 million, with $117 million allocated to military liaison officers, contingent-owned equipment and civilian police, $145 million for international and local civilian staff and United Nations Volunteers, and $53 million for operational costs.

XI. Observations

53. UNMIK has continued to make progress in establishing substantial autonomy and self-government, as required under resolution 1244 (1999). In implementing the Mission's mandate, my Special Representative continues to operate within the framework provided by the "standards before status" policy. The Provisional Institutions, Kosovo's political entities and the representatives of its communities should continue to work towards the achievement of those standards. The ongoing transfer of non-reserved responsibilities listed in chapter 5 of the Constitutional Framework increasingly provides the Provisional Institutions with the possibility to demonstrate their capacity to assume additional responsibilities, and their ability to ensure efficient and effective administration.

54. I am encouraged by indications that the Provisional Institutions increasingly focus on adopting policies and legislation which address the concrete and immediate needs of the population of Kosovo, and I welcome signs of a strengthened cooperation and consultation with UNMIK. While there have been noticeable improvements in the internal coordination and effectiveness of the policy-making and legislative processes within the Provisional Institutions, more remains to be done to ensure adequate levels of minority representation and employment at both the central and local levels of government. A number of municipalities have yet to achieve adequate levels of political participation by minorities in municipal affairs, or to ensure appropriate fair share financing and an impartial application of recruitment procedures. The continuing existence of parallel administrative

structures in Kosovo, which are supported by Belgrade, is an impediment to the consolidation of fully representative and multi-ethnic institutions and an obstacle to the full integration of Kosovo Serbs into those institutions. These structures should be dismantled and replaced by cooperation with the multi-ethnic Provisional Institutions, in order to provide a better life for members of all of the communities in Kosovo.

55. The security situation in Kosovo, which has been marred in recent months by a number of serious incidents involving minorities, remains a cause for serious concern. The violence threatens the process of normalization in Kosovo and of reconciliation among its communities. It contributes to an increased insecurity among Kosovo's minorities, leads to heightened inter-ethnic tensions, and represents an obstacle to the international community's efforts in Kosovo. Violence targeting minorities is unacceptable and must be condemned in the strongest terms. Kosovo's leaders should follow their welcome condemnation of the attacks with concrete steps aimed at ensuring that they do not recur.

56. Acts of violence and intimidation against the Kosovo minorities also risk undermining any progress in enabling minority returns. It is crucial that the Kosovo Albanian and the Kosovo Serb communities continue to work together and strengthen their cooperation, especially at the local level, in order to increase tolerance and create a climate that will enable the returns process to move forward. I am encouraged by the public statements made by the leaders in support of returns, including in the "open letter" (see para. 31 above) and the Assembly resolution on returns adopted in July. I especially welcome the Government's allocation of public funding for returns. Kosovo Albanian political leaders should now call upon their local representatives to ensure a commitment by municipal authorities to creating an environment conducive to returns and integration.

57. UNMIK remains firmly committed to establishing the rule of law and to providing Kosovo with effective and sustainable judicial institutions and law enforcement structures. While there has been concrete progress in the prosecution of serious crimes, including war crimes, increased attacks against UNMIK law enforcement personnel and structures, which have led for the first time to the murder of an UNMIK police officer, are a cause for serious concern and remind us of the difficulties associated with establishing the rule of law in Kosovo.

58. Economic growth and development are central to the normalization of life in Kosovo and to the integration of its communities. While unemployment remains high, there is some progress in creating a sustainable foundation for Kosovo's economy. The privatization process represents a step along the road to a functioning market economy, and the interest which has been shown by regional and international investors in Kosovo is encouraging.

59. The development of effective institutions of self-government in Kosovo needs to take place in a context of improving contacts and cooperation with Belgrade. My Special Representative has made the establishment of direct dialogue on practical matters of mutual concern between Pristina and Belgrade one of his central priorities. I welcome the parties' commitment to engage in this dialogue, and I call on both sides to make their best efforts to ensure that the talks, which were launched on 14 October in Vienna, result in concrete actions leading to a measurable improvement in the daily lives of residents.

60. In conclusion, I would like to express my appreciation to my Special Representative, Harri Holkeri, for his energetic efforts since his assumption of his duties, and to my Principal Deputy Special Representative, Charles Brayshaw, for his leadership of UNMIK during the interim period. I would also like to express my appreciation to the men and women of UNMIK for the commitment and professionalism shown in carrying out their duties in difficult and at times dangerous conditions. Finally, my gratitude goes to our partners within UNMIK, the European Union and the Organization for Security and Cooperation in Europe, as well as to KFOR, and to the organizations, agencies, contributors and donors for their substantial political and material support in implementing Security Council resolution 1244 (1999).

Annex I

Composition and strength of the UNMIK police as at 30 September 2003

Country	*Number*	*Country*	*Number*
Argentina	141	Malaysia	31
Austria	39	Mauritius	5
Bangladesh	74	Nepal	36
Belgium	1	Nigeria	26
Bulgaria	86	Norway	19
Cameroon	20	Pakistan	187
Canada	10	Philippines	61
Czech Republic	16	Poland	122
Denmark	26	Portugal	15
Egypt	60	Romania	175
Fiji	31	Russian Federation	118
Finland	23	Senegal	16
France	81	Slovenia	15
Germany	329	Spain	11
Ghana	58	Sweden	40
Greece	20	Switzerland	11
Hungary	5	Tunisia	4
India	341	Turkey	161
Italy	54	United Kingdom	128
Jordan	411	United States	399
Kenya	44	Ukraine	188
Kyrgyzstan	4	Zambia	6
Lithuania	8	Zimbabwe	54
Malawi	17		
Total			**3 727**

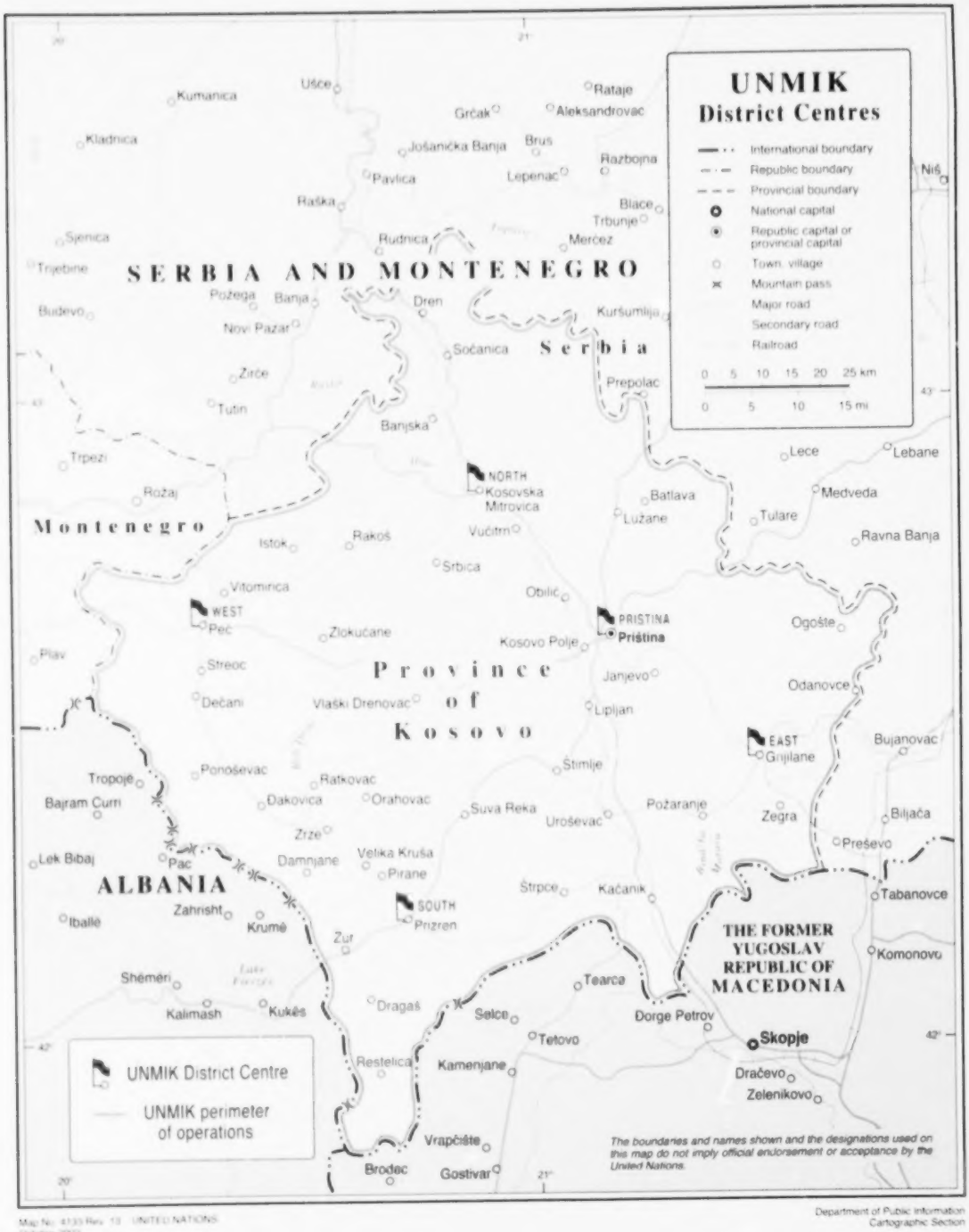
Composition of the Kosovo Police Service as at 1 October 2003

Category	*Percentage*	*Number*
Kosovo Albanians	84.36	4 867
Kosovo Serbs	9.41	543
Other ethnic minority members	6.23	357
Total		**5 769**
Men	82.40	4 904
Women	17.60	865

Annex II

Composition and strength of the Military Liaison Component of the United Nations Interim Administration Mission in Kosovo (as at 1 October 2003)

Nationality	*Number of liaison officers*
Argentina	1
Bangladesh	1
Belgium	1
Bolivia	1
Bulgaria	1
Chile	1
Czech Republic	1
Finland	2
Hungary	1
Ireland	3
Italy	1
Jordan	1
Kenya	1
Malawi	1
Malaysia	1
Nepal	2
New Zealand	1
Norway	2
Pakistan	1
Poland	1
Romania	1
Russian Federation	2
Spain	2
Switzerland	1
Ukraine	2
United Kingdom	1
United States of America	2
Zambia	1
Total	**37**



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